Clean Financial Statements
Personal Property

Overview of Navy Implementation of Defense Property Accountability System (DPAS)

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What is personal property?

Personal Property Defined

Personal Property - those items used but not co
by the government for purposes of conducting busin

Includes:

- **General Equipment**
- **Industrial plant equipment**
- **Vehicles & MHE**
- **Office support items**
- **ADP & Software**
- **Government Furnished Equipment (GFE)**
- **Leases (for equipment)**

Does not include:

- Consummable items/inventories
- National Defense *(planes, ships, submarines, weapo*
- National Defense Equipment*
- Land or Buildings
- Heritage Assets
- **Contractor acquired equipmen**
- Non-appropriated fund items

** Definition still evolving.*

Personal Property Categories

ASSET CATEGORY	DOLLAR VALUE	PR
Capital Assets (Formerly Class 3 & 4)	$100K & above The only category that affects financial statements	MANDATOR - Financial Rep - Accountabi
Minor (New threshold)	$5000 to $99.9K	MANDAT - Accountab
Pilferable (Revised definition)	No $ value specified - Critical to mission/Business - Portable; hard to repair/replace	MANDATO - Accountabilit
Sub-Minor (Mandated by the command; Not required by law)	Under $5000 Doesn't meet above definition for pilferable	OPTIONA - Local Contr

Expect to go to $5000 in next 30 days

The Objective:
Clean Financial Statements

The Requirement – Auditable Financial Statements

CFO Act of 1990 & FFMIA of 1996:
Requires all Federal Agencies to prepare annual audited financial statements.

FINANCIAL STATEMENT ELEMENTS:

Property, Plant & Equipment

- Real Property (Land & Facilities)
- Heritage Assets
- ~~National Defense~~
- **Personal Property**

Other

- Govt Property Held by Contractors
- Inventories

- Operating Materials & Supplies

- Environmental Restoration
- Hazardous Waste/Disposal
- Deferred Maintenance

- Time & Attendance

- Personnel

DON/DoD Objective – A Favorable/Unqualified Opinion!

SECDEF Memo of 15 May 1998

"…this is a Department-wide management problem… I am directing that you provide the USD(C) your support to achieve one of the ***Administration's top priorities****--a favorable audit opinion on financial statements…In particular, the acquisition,* ***logistical****, medical and personnel processes and* ***systems must be modified*** *and retooled to adequately capture and report necessary information…."*

Presidential Memo of 26 May 98

"…My ***FY1999 budget*** *request to Congress outlined my* ***commitment*** *to addressing these problems and* ***obtaining an "unqualified audit opinion"*** *-- the highest opinion available from auditors -- on the Government's financial statements for FY1999."*

Joint Memo between USD(C) and USD(AT&L) of 6 Dec 2000

"… recent audit reports and testimony… have been critical of the Department's control and accountability for PP&E. Such audit findings… undermine the Department's credibility and confidence with the Congress and public. ***One of the major "showstoppers" preventing… DOD.. from achieving an unqualified audit opinion on annual audited financial statements is the Department's PP&E****… property management and logistics systems must be modified or replaced, policies and procedures changed and internal controls strengthened.*

PP&E Program Management Office Established within OUSD(AT&L)

Possible Audit "Opinions" on Financial Statements

An Audit Opinion of…	Is like a grade of…
Unqualified	= A
Qualified	= B/C
Adverse	= F
Disclaimer	=

Actual DOD Financial Statement Audit Opinions Since 1992

DoD Financial Statement Opinions

1992 DISCLAIMER (Army only)

1993 DISCLAIMER (Army only)

1994 DISCLAIMER (Army only)

1995 DISCLAIMER (Army only)

1996 DISCLAIMER (All)

1997 DISCLAIMER (All)

1998 DISCLAIMER (All)

1999 DISCLAIMER (All)

2000 [illegible]

Audited financial reports become mandatory in 1996

Navy Personal Property DISCREPANCIES:

Common Activity Errors:

- *Disposed Assets still on records*
- *Transferred property errors*
- *Property values inaccurate*
- *Not following prescribed procedures*
- *No management controls or not following management controls*

Reporting Process Problem

- *Insufficient substantiation for reported values*
- *Double counting*
- *Balances understated ($32.8M)*
- *Balances overstated ($15.1M)*

How to get a Favorable (Unqualified) Opinion

Accurate Accounting

- CFO/FFMIA Compliant system (calculates Depreciation)
- Accurate Financial Statements & Reporting

Accurate Accountability

- Standard Policy & Procedures
- Accurate inventories; Assets Barcoded
- Reconciliations with OPLOCs

Management Controls

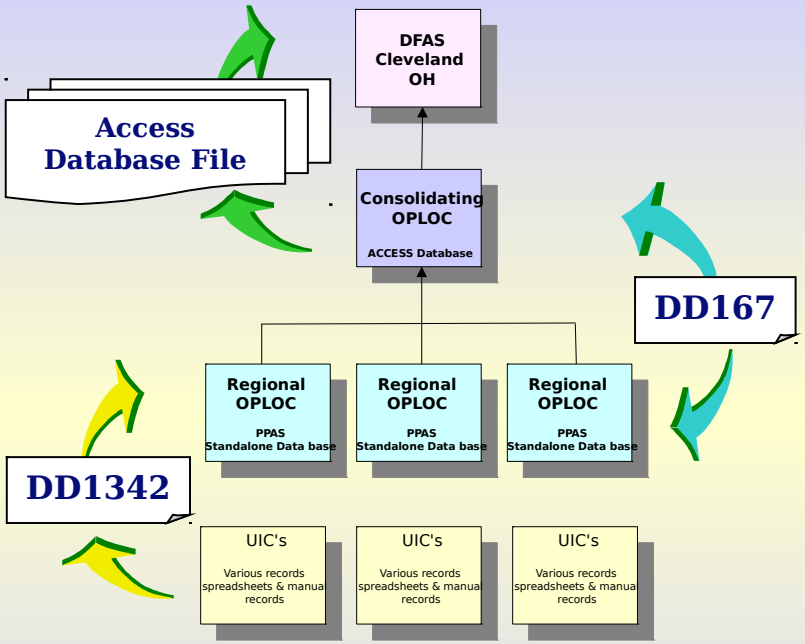
What we must have

What we also get

Improved Asset Management

- Asset management tools (redistribution & visibility)
- Planning and Budgeting tools
- A single system for Minor and Capital Assets

Old Personal Property Reporting Process – Not CFO compliant



OPLOC MODEL

- No standard system at UIC level.
- Manual; Not Automated
- Depreciation calculated manually
- Not CFO/FFMIA compliant.
- Errors likely.
- Little confidence in OPLOC data.

Navy Clean Financial Statement Team Leaders

Dept of the Navy Clean Financial Statement Team Leaders

With ASN(FMC) Oversight

PP&E

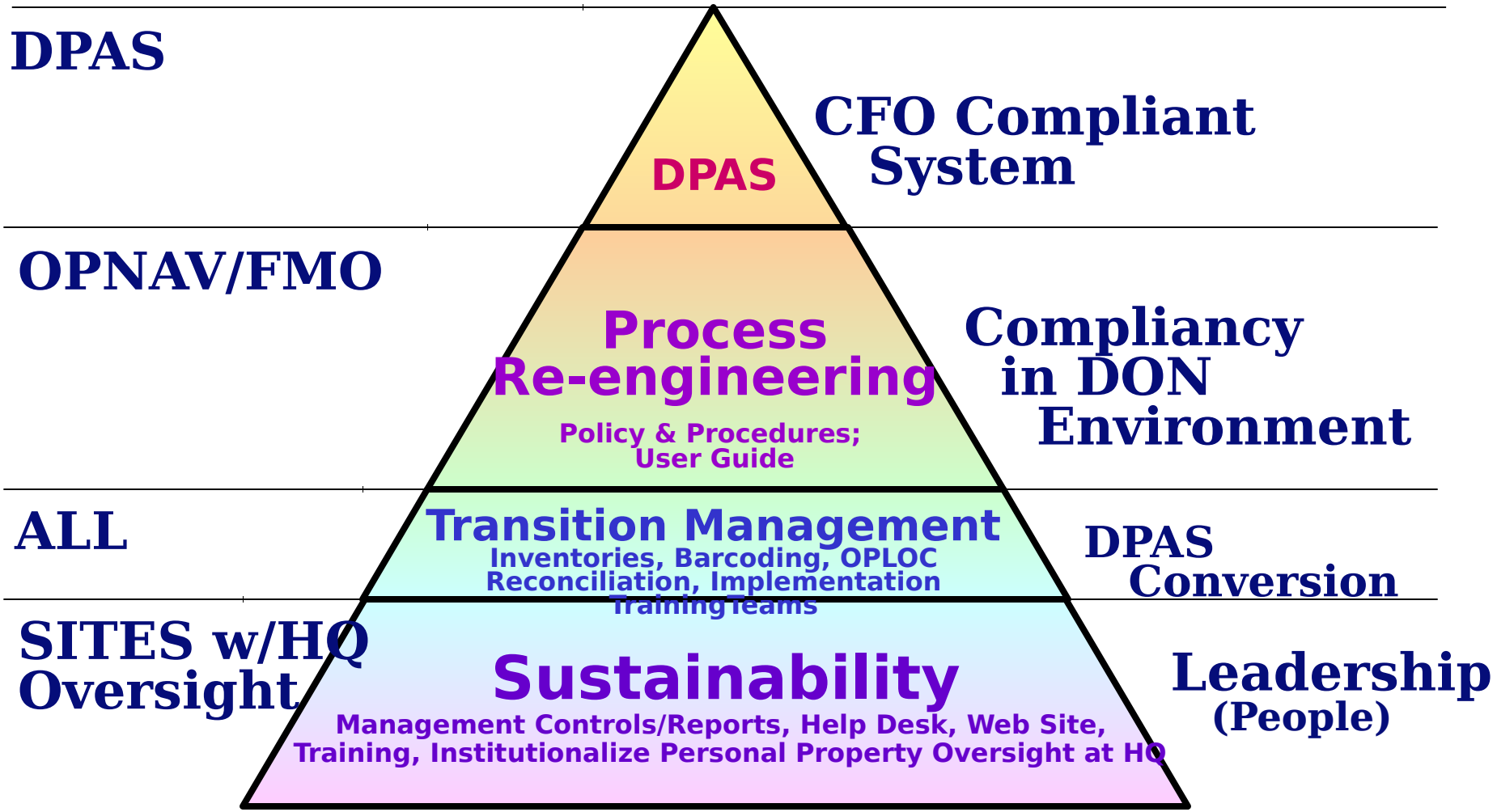
- **Real Property** (Land & Facilities) Dr. Get Moy (NAVFAC)
- **Heritage Assets** Ms. Elsie Munsell (DASN-I&E)
- **National Defense** Mr. Bill Schaefer (DASN RDA PPR)
- **Personal Property (Navy) RADM Linda Bird (OPNAV N41)**
- **Personal Property (USMC) Mr. Paul Hubbell (DC/S for I&L)**

OTHER

- **Govt Property Held by Contractors** **Mr. Bill Schaefer (DASN RDA PPR)**
- Inventory & Logistics Mr. Mike Madden (NAVSUP)
- Operating Materials & Supplies Mr. Jeff Orner (NAVSEA)
- Environmental Restoration Mr. James Wright (NAVFAC)
- Hazardous Waste/Disposal Mr. Bill Schaefer (DASN RDA PPR)
- Deferred Maintenance RADM Tom Church (FMB)
- Time & Attendance Ms. Betty Welch (DASN-MRA)
- Personnel Mr. Matt Henry (N1)

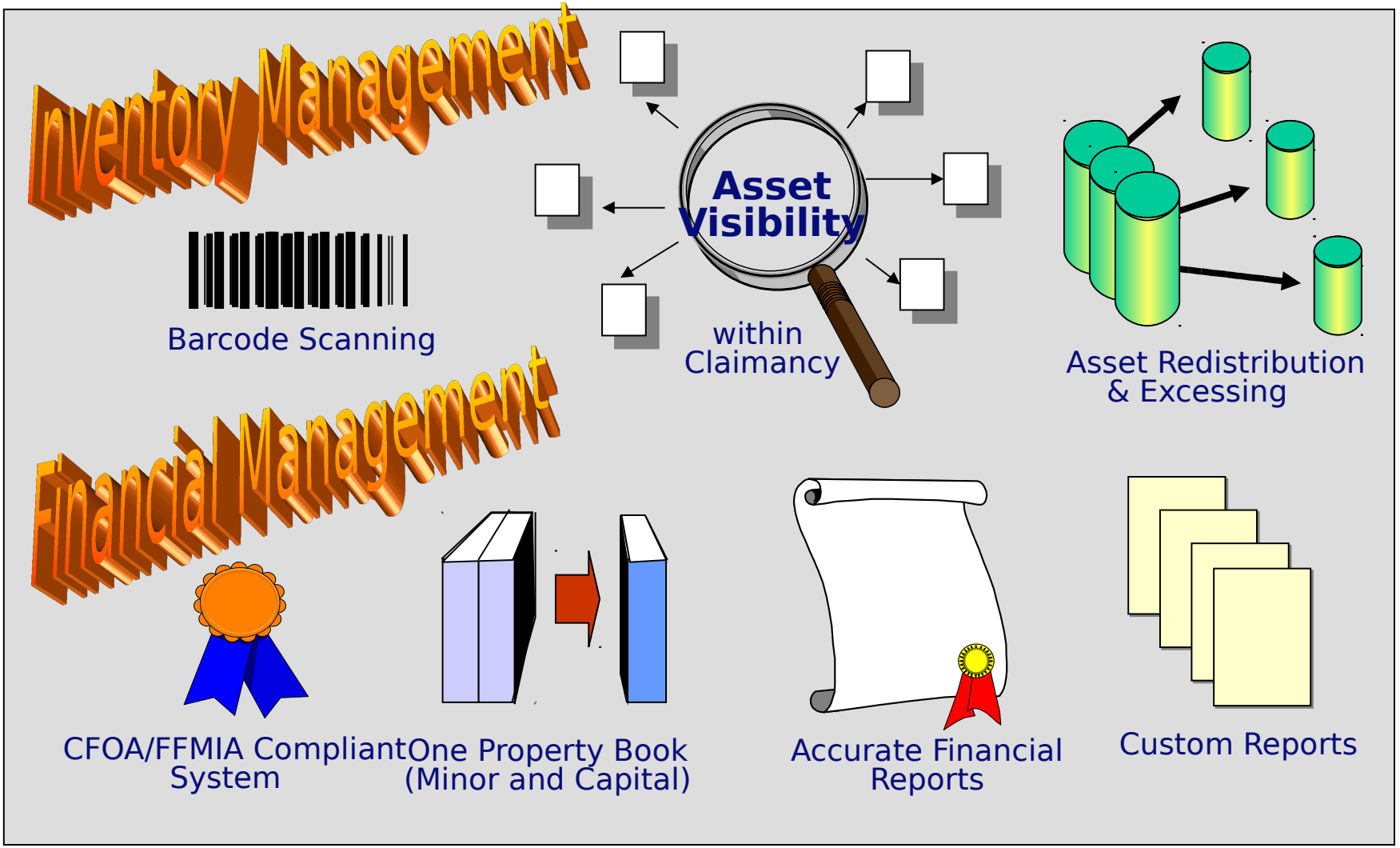
Navy DPAS Implementation Model

CFO Compliancy Model for Personal Property

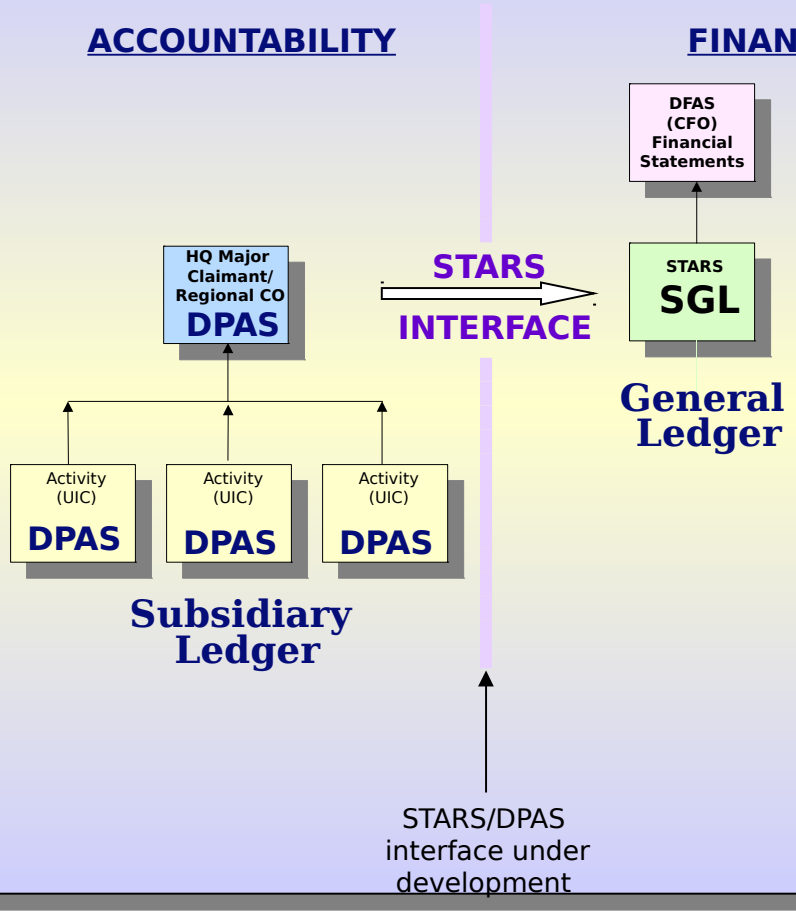


Defense Property Accountability System (DPAS)

DPAS Mandated by DON - for Personal Property Accounting & Accountabili



New Personal Property Reporting Process – CFO compliant



DPAS MODEL

- ONE STANDARD SYSTEM !
- Automated roll-up of summary info claimancy
- Automated calculation of depreciation
- More confidence in activity data.
- More confidence in financial data &
- CFO/FFMIA Compliant.

DPAS Technical Requirements

Operating Environment

User Friendly

- Client-Server
- Uses the web to send and receive data
- Windows environment
- Batch processing occurs at 1800-2100 EST or another time negotiated by the Major Command in the SLA Agreement

Minimal

Hardware/Technical requirements

- Desktop PC Pentium 133, 32 MB RAM, 75-100 MB of Free Hard Drive space
- Firewall access ports 5557 and 5000

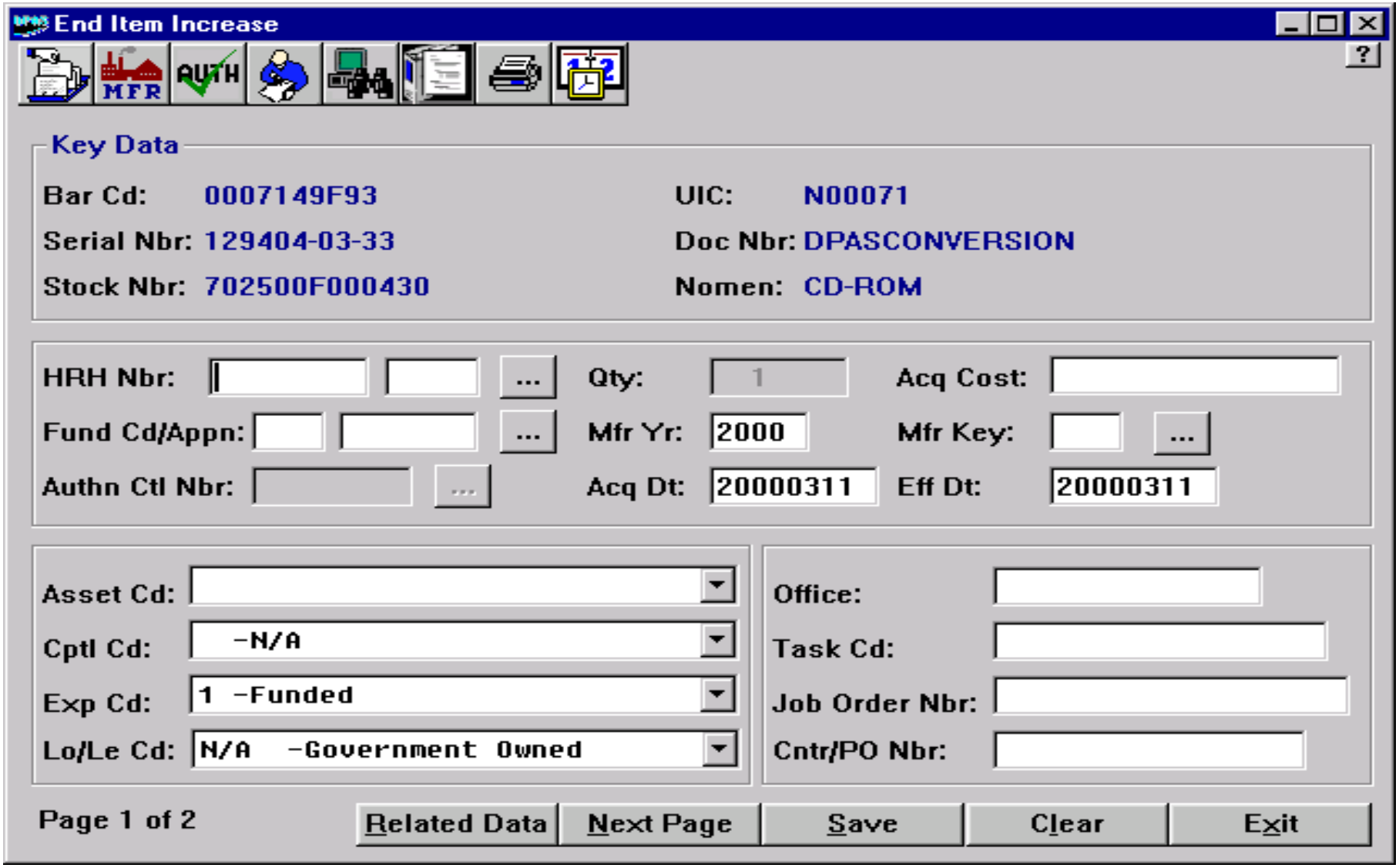
Free

Software

- New releases come out approximately 2-4 x a year
- New releases are sent to command ADP personnel by email
- Site ADP personal download software to individual PCs

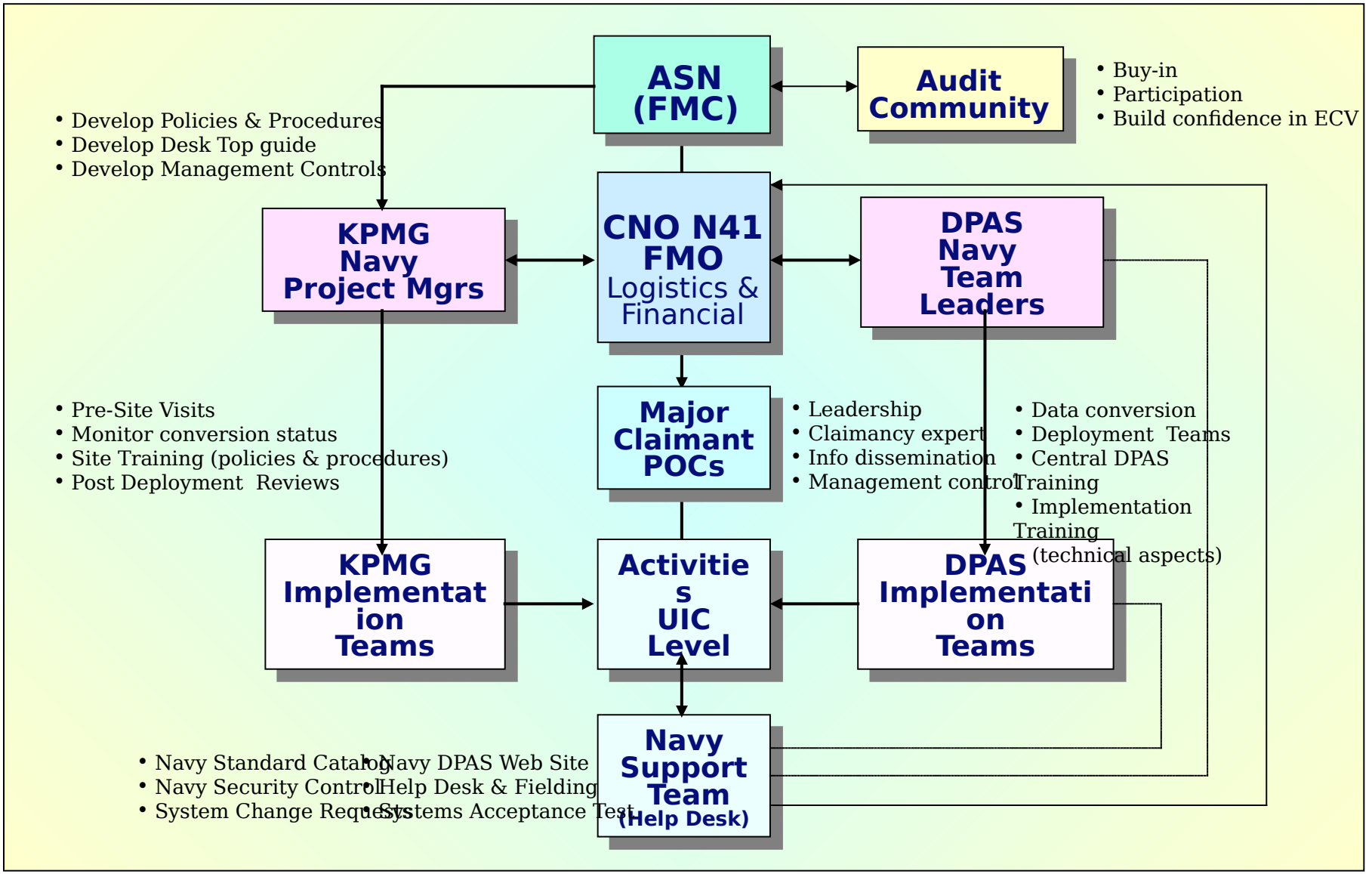
User Friendly Windows Environment - Main Menu

User Friendly Screens, Help Menus, Pull Down Screens

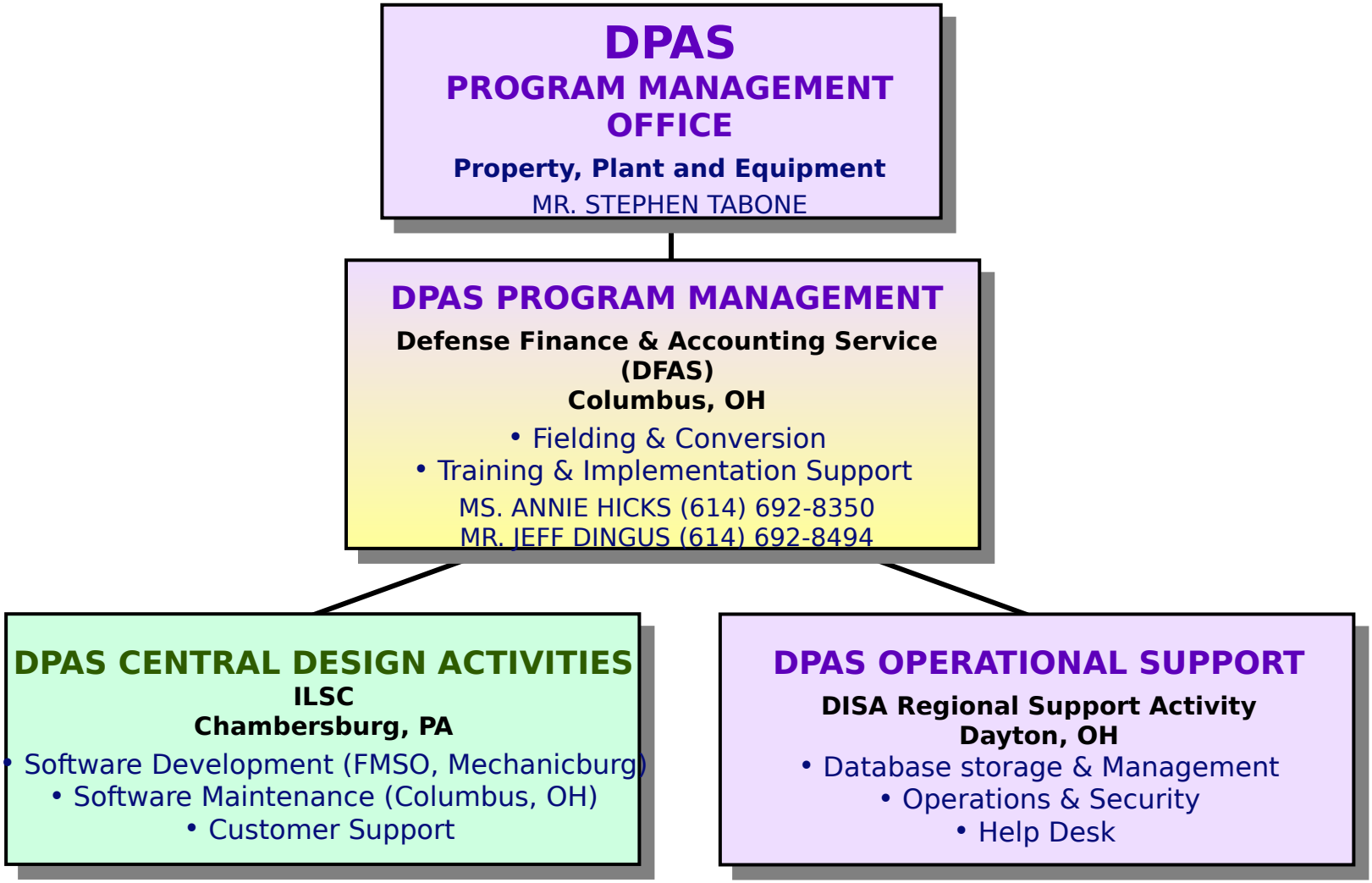


Process Reengineering and Transition Management -
Making DPAS work in a Navy Environmen

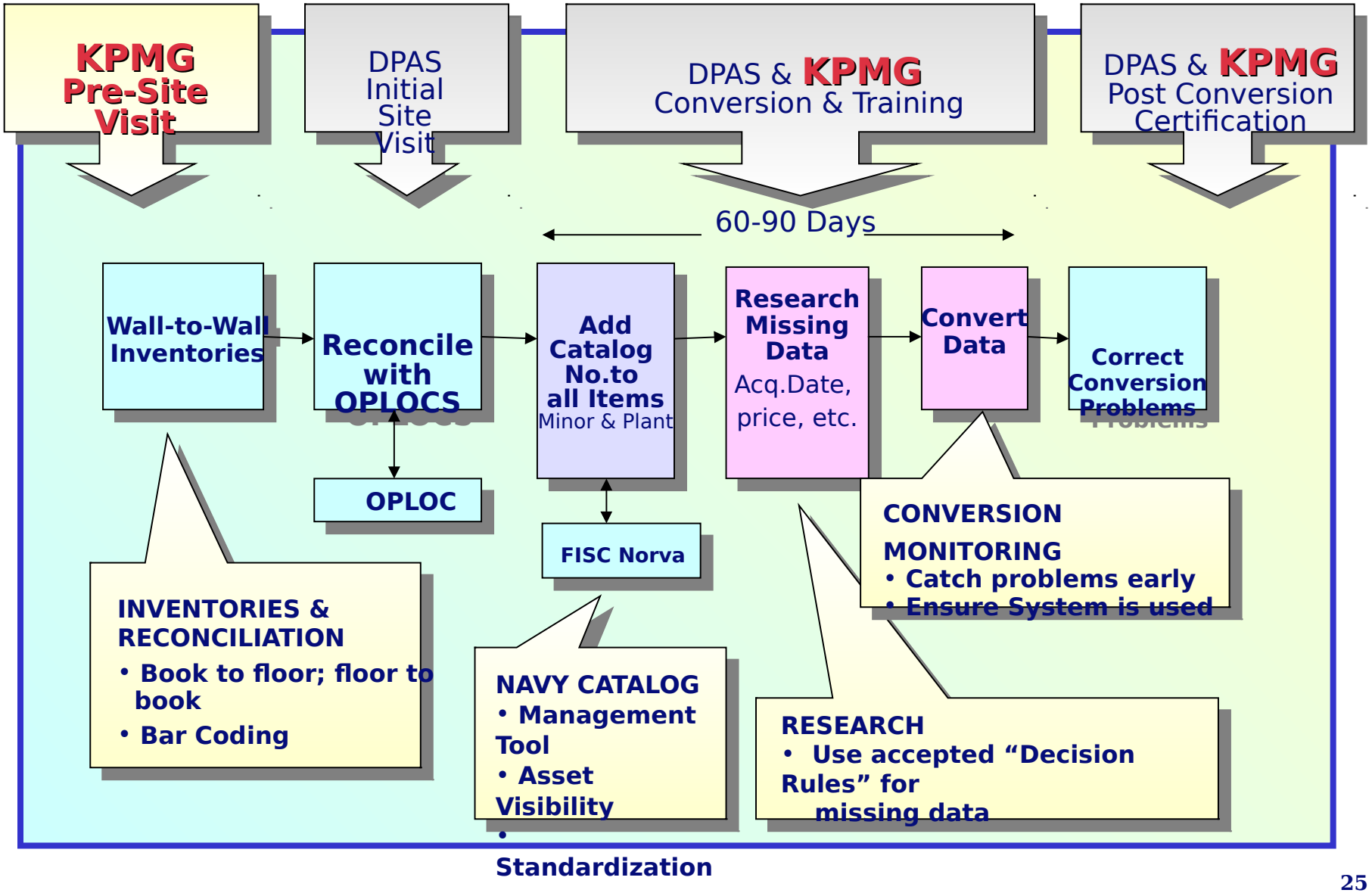
Navy DPAS Implementation Organization



DPAS - A "Virtual" Organization



Navy Conversion Process



HQ Responsibilities/Actions for New Conversions

1. **Contact the site.** Establish a working relationship with site PPM.
2. **Verify site is aware of DPAS conversion date** and has scheduled its inventory to be completed prior to conversion.
3. **Monitor site inventory progress** to make sure it is completed prior to conversion. Obtain letter from site.
4. **Verify site has reconciled with its OPLOC** IAW with Navy procedures.
5. **Notify OPNAV** of completion of inventories and OPLOC reconciliation. Forward copy of inventory letter from site.
6. **Respond as required to OPNAV** when notified that a site is not meeting its major milestones.
7. **Contact the site CO/XO** to make site leadership aware the site is behind schedule. Make sure leadership gets involved.

KPMG Pre-Site Visit 45-60 days before Site Visit

Objective:

To assess and prepare an activity for the arrival of the DPAS team.

- Meet with PPM
- In-brief with CO/XO
  - Explain what will happen
  - Be up front about work involved
  - Emphasize: Inventories, OPLOC Reconciliation, Bar coding, Policy and procedures
- Perform walk-around with PPM
- Learn site organizational structure; establish a plan to adapt the terminology of current organization into terminology of DPAS
- Obtain and assess data (nature of assets, data quality, etc.)
- Remind sites not to change data format before site visit
- Ensure early contact with site IT person
- Ensure security preps are underway (background investigations or equivalent are required for all DPAS users)

Elements:

- ✔ Distribute “introductory package”
- ✔ Gather site’s data such as procedures, organization chart and POCs
- ✔ Begin development of DPAS user profile/security profile based on procedures and site organization
- ✔ Verify proper physical inventory of personal property and OPLOC reconciliation
- ✔ Identify and analyze legacy personal property systems (including potential for retention as “cuff” systems)
- ✔ Assess any firewall issues and potential connectivity problems
- ✔ Forward information gathered to DPAS I&T

DPAS & KPMG Integrated Training & Implementation

DPAS - the tools

- DPAS Introduction
- Catalog Module
  - Inquiries
  - Navy Support Team
- Hand Receipt Module
- Hand Recpt Holder Module
- Accounting Module
- "My Eureka" Reports
- Use of barcode scanner
- Review of site data

KPMG - compliance

- CFO Compliance
  - Policies & Procedures
  - Classifications of property
  - Roles and Responsibilities
  - Documentation
  - ADP Policy
- Accounting requirements
- Management Controls
- Navy Barcode Policy
- Post-Conversion Management

IT Personnel Play a Key Role in DPAS

IT personnel must be involved before and after DPAS conversion!

DURING CONVERSION PROCESS

-Assit PPM in filling out online Site Information Request Form on DPAS website, located at:

http://www.dpasweb1.day.disa.mil/webdpas.siteform.htm

-- IT Personnel will be identified on form as the site's Technical POC and will provide required technical information to the PPM

- Fill out System Authorization Access Request (SAAR) form

(forms must be submitted no later than 30 days prior to training)

-- Block 15 Access Required: "RSA Dayton - DPAS Web Server"

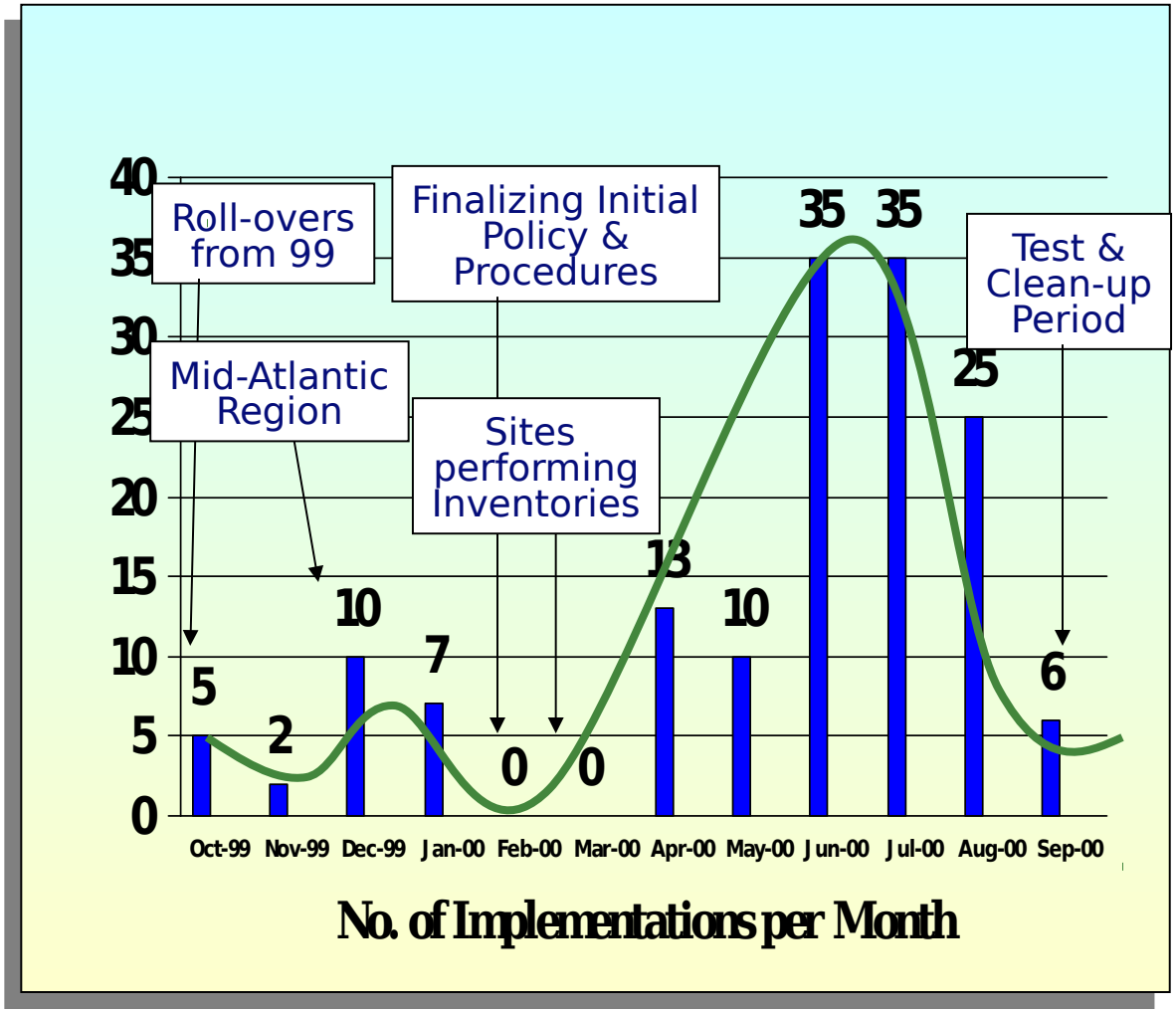
-- Block 15: List your IP address

- Fax SAAR forms to Navy Support Team DSN 646-1694 / Comm (757) 443-1694
- Will receive email notification of software
- Will need to download DPAS software and upload to local PCs

AFTER CONVERSION

DPAS Implementation Schedule and Status

NAVY DPAS FY00 Fielding Schedule



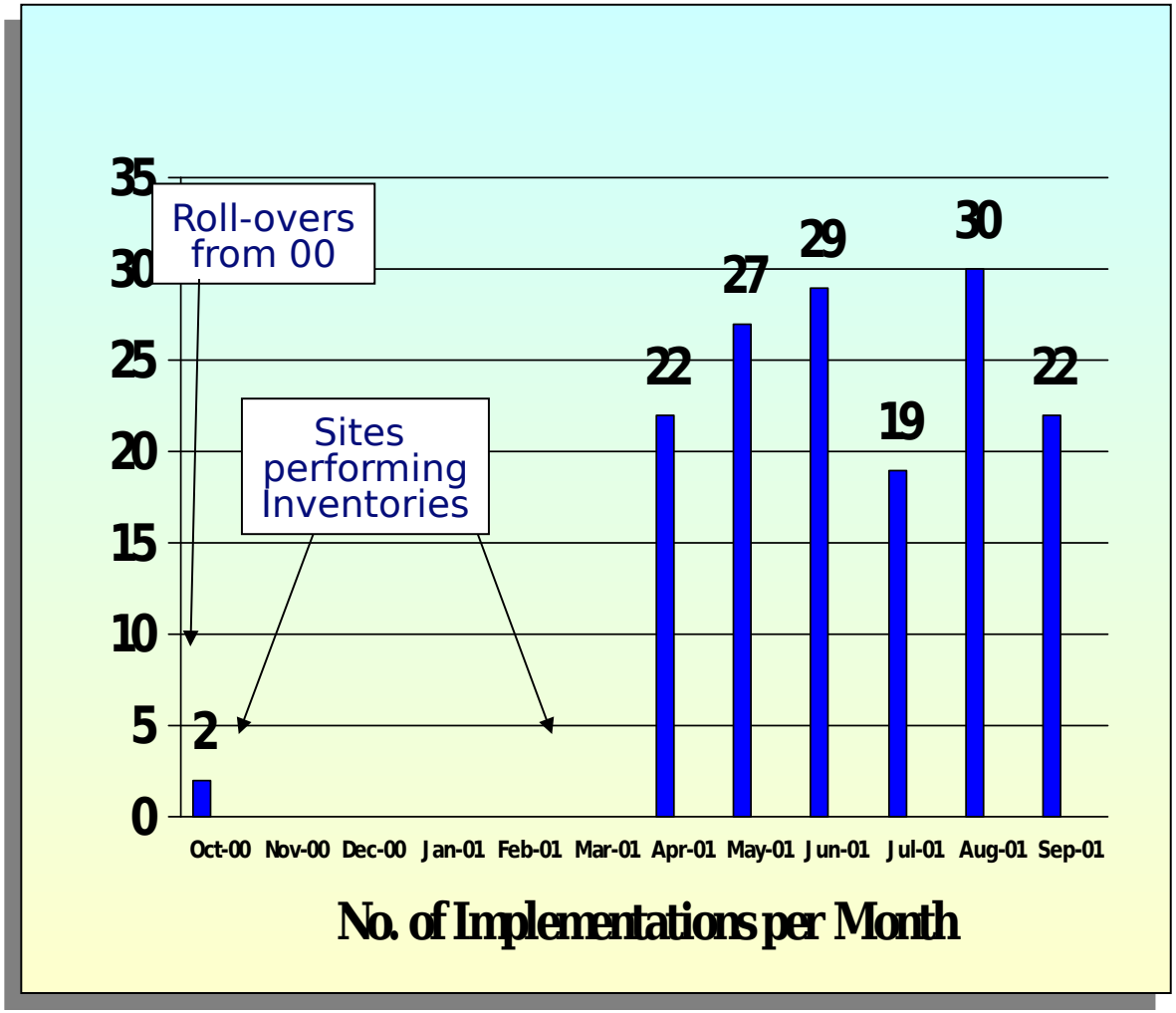
FY00 Plan

✔ Convert capital asset rich activities first (148 sites in FY00)

✔ Load Capital, Minor, Sub-Minor, ADP, and pilferable

✔ By end FY00 - will have 271 sites and $4.94 Billion in capital assets on DPAS which equals 99% of dollar value of capital

Navy DPAS FY01 Fielding Schedule



FY01 Plan – 151 sites

✔ Convert remaining capital asset activities first (40 sites in FY01)

✔ Load Capital, Minor, Sub-Minor, ADP, and pilferable

✔ By end FY01 - will have 100% of capital assets and 415 sites(55%) on DPAS

*Navy DPAS Implementation Status

99% of Capital Assets on DPAS by end FY00

NUMBER OF SITES		$ VALUE OF CAPITAL ASSETS	
Total	695*	Total	$ 4.97B
On DPAS (as of 1 Jan 2001)	267	On DPAS (Capital Assets only)	$ 4.92B
Scheduled in FY01	144	Scheduled in FY01	$ 50M
Remaining sites (Not on DPAS after 2001)	284	Remaining cap assets (Not on DPAS after 2001)	$ 0

** Excludes NAVSECGRU claimancy (29 sites). This claimancy has an approved waiver to implement an ERP (Oracle) system vice DPAS.*

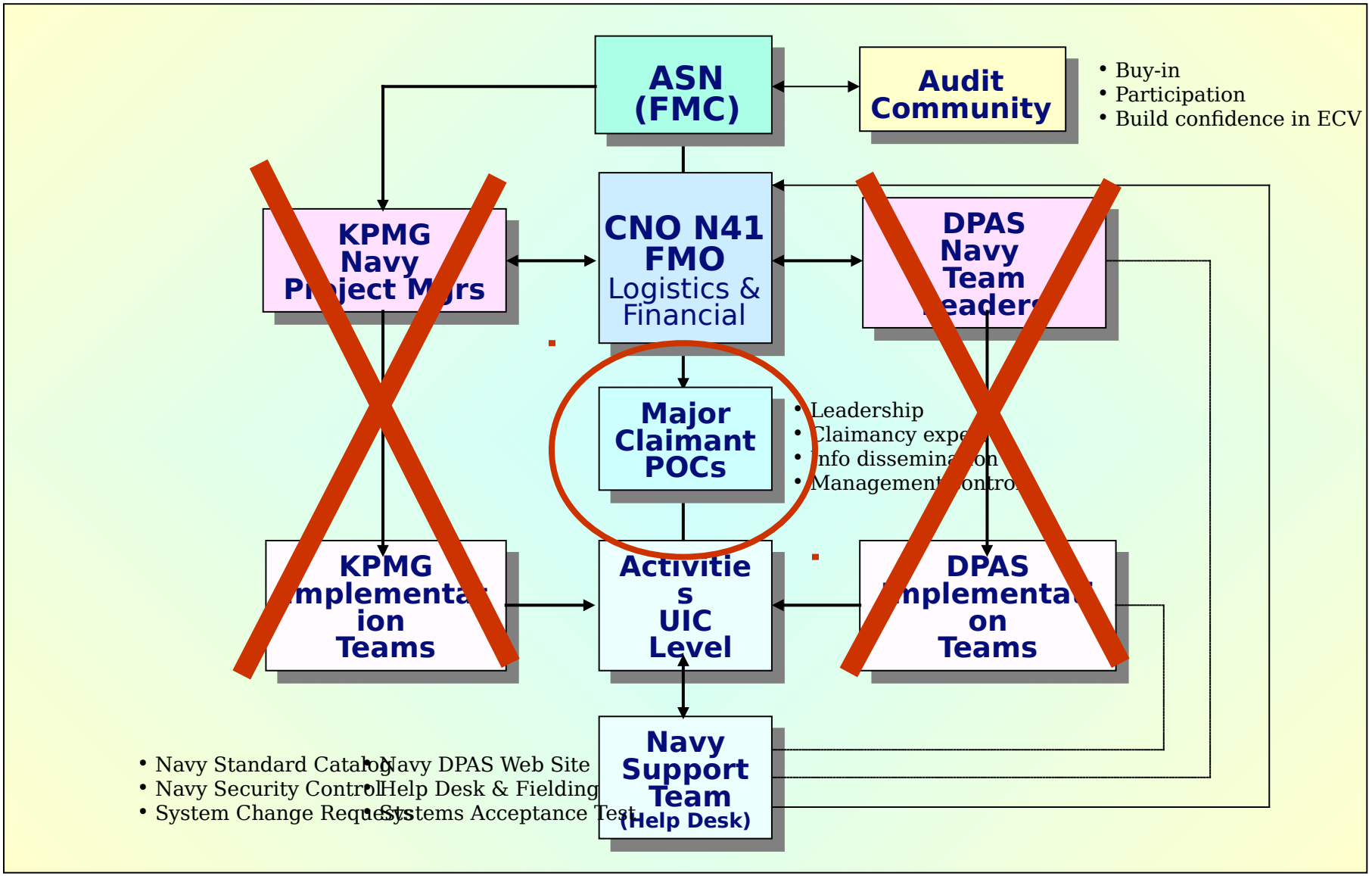
Remaining sites very small

** The Marine Corps implemented DPAS at all MC activities in FY99*

DPAS Sustainment –

- *HQ Oversight*
- *Audits, inventory sampling, database quer*
- *Barcoding*
- *Management Controls/Reports*
- *Resources: Policy/Help Desk/Website*

Navy DPAS Post Implementation Organization



HQ Responsibilities/Actions After Conversion

POST IMPLEMENTION REVIEWS AND CERTIFICATION

1. Verify site is using DPAS and that the data is current/up-to-date.
2. Query site database to assess data integrity.
3. Perform inventory sampling to assess inventory accuracy, data system accuracy, auditability of records (supporting documentation).
4. Verify OPLOC is no longer reporting the site's financial information.
5. Verify the site is following Navy policy and procedures.
6. When fully compliant, notify OPNAV N41 in writing that site is "certified" and ready to pass an independent audit.

BARCODING

1. Develop a barcoding implementation plan/schedule for claimancy
2. Report that plan to OPNAV (N41)

   NOTE: barcodes must be in proper format per Navy policies and procedures.

INVENTORIES (Post conversion)

Verification Sites are ready to Pass an Independent Audit

Criteria for Site Certification		
1	Physical Inventory Complete	✓ Green
2	OPLOC Reconciliation Complete	✓ Green
3	DPAS Employed (connectivity, firewall)	✓ Green
4	Error Reports Corrected	✓ Green
5	DPAS Data Valid	✓ Green
6	Capital Assets Supportable	✓ Green
7	Polices and Procedures Implemented	✓ Green

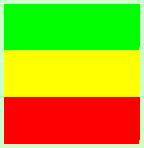
Certified

CONDITION CODES

GREEN Site is Certifiable

YELLOW Site has minor deficiencies

RED Site has severe deficiencies



Navy Barcoding Requirement

Barcoding provides additional management ass

- *Speeds inventory*
- *Reduces "fat finger error"*
- *Uniquely identifies otherwise identical items*
- *Makes ownership instantly clear*
- *Makes it easy to identify what "is/is not" on inventory r*

Barcoding is mandatory!

- Navy requires barcoding of personal property assets
- Assets should be barcoded prior to DPAS conversion and **MUST BE barcoded prior to next triennial inventory**
- Navy required barcode format is **10 characters**:

UIC + 5 alpha/numeric/alphanumeric cl

Above should be in 3 of 9 Bar Code Font (also known as Code 39 Format)

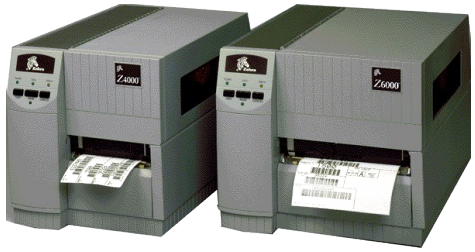
New Scanning & Barcoding Equipment

SCANNERS - Symbol PDT 7200

- Efficient, easy to use“Gunlike” scanner
- Virtual programmable keyboard
- Large screen (1/4 VGA resolution LC)
- Withstands 6ft. drops to concrete flooring
- Tested under very adverse weather conditions
- Operates in extreme temperatures (-20C to +50C)
- 486-based: allows DOS to CE migration

BARCODE PRINTERS- Zebra Products

- Portable & fixed mount
- Exceptionally easy to use and maintain
- Sophisticated management
- Connectivity options
- Common programming



Z-4000 and Z-6000 Desk Top Printers

PT-471 Portable Printer

Programming Scanners

Scanners currently compatible with DPAS:

- Intermec 9400 Trakker Series (64K minimum RAM required)
- Intermec Janus 2000 Series (1M minimum RAM required)
- Symbol PDT 7200 and 7240

Methods of programming scanners to interact with DPAS:

- **Download the software from the DPAS Web Site:**

  http://www.dpasweb1.day.disa.mil/webdpas/dphome2.htm

- **Or mail Trakker scanner chip for programming to ILSC:**

  Computer Sciences Corporation
  3N Overcash Avenue
  Attn: DPAS - Mr. Rich Livermore
  Chambersburg, Pa 17201

Note: *Re-programmed scanners cannot be used until a site is converted to DPAS. Until a site converts, it should continue to use its current scanner and associated program(s) to perform its wall-to-wall inventory.*

Establishing Management Controls – To Reduce Risk

Each site has to identify "high risk" areas and local management controls to ensure data int

- **Credit card purchases**
- **DRMO disposals**
- **Pushed property**
- **Property loaned out**

Key "Risk Reducers":

- *Barcoding*
- *Document control (to provide "due in" notificatio*
- *Limiting user access*
- *Inventories and Inventory sampling*
- *Management Reports*
- *Training of key personnel*

Managing the Database Using Management Reports

Types of exception reports:

- USER LEVEL – Detailed
- HQ LEVEL - Summary

Accountability reports:

- Key accountability datafields blank or = 0
- Serial no. = barcode no.
- Assets w/ more than 7 days between date of entry in DPAS and date date received
- Listing of all administrative

Financial reports:

- Assets w/ capitalization code set to override
- Minor property w/accumulated depreciation
- Assets w/ cost = $1
- Cap assets w/activation date = DPAS default
- Cap assets w/ accumulated depreciation = $0

Asset management reports:

- List of assets under accountability threshold
- List of aging assets
- List of NDE assets
- List of loaned assets
- List of ADP assets
- List of excess assets

Above "My Eureka" reports can be uploaded from the Navy DPAS Website

Available Guidance and Information

Federal Accounting Standards

Statements of Federal Financial Accounting Standards (SFFAS) #6, 8, 10, 11
http://financenet.gov/financenet/fed/fasab/concepts.htm

DoD Regulation

DoD Financial Management Regulation Vol. 4, Chap. 6
http://www.dtic.mil/comptroller/fmr/04/04_06.pdf

OUSD(C)— All DoD organizations

Navy Instruction

SECNAVINST 7320.x
http://www.nor.fisc.navy.mil/home/11-10-00%20P&P%20Document.pdf

Additional Navy Resources

DON DPAS User Guide
http://www.nor.fisc.navy.mil/ DON %20dpas_user.htm

OPNAV N41 Messages
http://www.nor.fisc.navy.mil/ home/CNOMessages.htm

Navy DPAS Web Site
http://www.nor.fisc.navy.mil/home/DPAS.htm

Navy DPAS Support Team... *Supports 5 functional Areas*

1. **Navy Standard Catalog**
   - Approx. 15K stock numbers (NSNs plus locally generated stock numbers)
   - On Line Mod form located on the NAVY DPAS WEB PAGE
2. **Navy POC - help desk**
   - **Why:** call for any question pertaining to using and operating DPAS
   - **Who:** all Navy users.
   - **When**: hours of operation are 0700-1700 (eastern) Mon-Fri
   - **How**: CONUS call 1-877-418-6824; OCONUS call 1-510-428-6824; Select
     Option #5; 24 hours a day, 7 days a week.
3. **System Security**
   - Establish access and process all Navy User Access forms (DISA Form 41s) *(NOTE: except BUMED users)*
   - Navy Rep for System Acceptance Testing (SAT) for new DPAS releases
4. **System Change Proposal Management**
   - Generates/processes Navy input to System Change Request (SCR) process
5. **DPAS Web Site (www.nor.fisc.navy.mil/home/dpas.htm)**
   - **Source for Navy specific DPAS info:** Navy DPAS User Manual,

Navy Web Site
www.nor.fisc.navy.mil/home/dpas.htm

Navy POCs

NAVY DPAS PROGRAM MANAGEMENT

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www.nor.fisc.navy.mil/home/dpas.htm